

ASSEMBLY BILL

No. 23

Introduced by Assembly Member Liu

December 6, 2004

An act to amend Section 66010.4 of, to amend and repeal Sections 84750 and 84751 of, and to add Article 1 (commencing with Section 84700) to Chapter 5 of Part 50 of, the Education Code, relating to community college finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 23, as introduced, Liu. Community college finance: funding priorities: distribution of funds to community college districts.

(1) Existing law, known as the Donahoe Higher Education Act, sets forth, among other things, the missions and functions of California's public and independent segments of higher education, and their respective institutions of higher education. Existing law establishes the California Community Colleges under the administration of the Board of Governors of the California Community Colleges as one of the public segments of higher education in the state.

Existing provisions of the Donahoe Higher Education Act require the California Community Colleges, among other things, to offer instruction and courses to achieve remedial instruction for those in need of it, to provide adult noncredit education curricula in areas defined as being in the state's interest, and to provide community services courses and programs.

This bill would instead provide that the community colleges may provide instruction and courses relating to remedial instruction, adult noncredit education, and community services to the extent funding is available.

The bill would also provide that the California Community Colleges have 3 primary missions: lower-division instruction for students seeking to transfer to a university in pursuit of the baccalaureate degree, workforce training and preparation, and adult literacy programs. The bill would require that first priority in the use of state funds be given to courses and services that are directly responsive to these 3 priorities.

(2) Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state. Existing law establishes a system for the apportionment of state funding to community college districts. This system, known as program-based funding, is generally based on calculations related to the number of full-time equivalent students (FTES) in attendance at each district.

This bill would express the intent of the Legislature to replace the program-based distribution of funds to community college districts with a simpler, more equitable method and to implement, commencing with the 2007-08 fiscal year, a funding model developed pursuant to the bill.

The bill would require that, effective July 1, 2007, each district of the California Community Colleges receive a basic allocation based on the number of colleges and centers operated by that district, followed by an equalization rate for all credit and noncredit FTES.

The bill would require the Department of Finance and the Legislative Analyst's Office, working collaboratively with representatives of the Chancellor's Office of the California Community Colleges, to jointly recommend the appropriate funding levels for community college full-time equivalent students prior to January 1, 2007.

The bill would, as of July 1, 2007, render inoperative the provisions that generally establish the framework for the existing system for the apportionment of state funding to community college districts. The bill would delete these provisions as of January 1, 2008.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 66010.4 of the Education Code is amended to read:

66010.4. The missions and functions of California's public and independent segments, and their respective institutions of higher education shall be differentiated as follows:

(a) (1) The California Community Colleges shall, as a primary mission, offer academic and vocational instruction at the lower division level for both younger and older students, including those persons returning to school. Public community colleges shall offer instruction through but not beyond the second year of college. These institutions may grant the associate in arts and the associate in science degree.

~~(2) In addition to the primary mission of academic and vocational instruction~~ (A) Consistent with the provisions of the California Master Plan for Higher Education, the California Community Colleges have three primary missions:

(i) Lower-division instruction for students seeking to transfer to a university in pursuit of the baccalaureate degree.

(ii) Workforce training and preparation.

(iii) Adult literacy programs to improve basic skill levels.

(B) First priority in the use of state funds shall be given to courses and services that are directly responsive to the three priorities listed in subparagraph (A).

(C) To the extent that funding is available, the community colleges shall California Community Colleges may offer instruction and courses to achieve all of the following:

~~(A)–~~

(i) The provision of remedial instruction for those in need of it and, in conjunction with the school districts, instruction in English as a second language, adult noncredit instruction, and support services which help students succeed at the postsecondary level are reaffirmed and supported as essential and important functions of the community colleges.

~~(B)–~~

(ii) The provision of adult noncredit education curricula in areas defined as being in the state's interest is an essential and important function of the community colleges.

~~(C)–~~

1 (iii) The provision of community services courses and
2 programs is an authorized function of the community colleges so
3 long as their provision is compatible with an institution's ability
4 to meet its obligations in its primary missions.

5 (3) A primary mission of the California Community Colleges
6 is to advance California's economic growth and global
7 competitiveness through education, training, and services that
8 contribute to continuous work force improvement.

9 (4) The community colleges may conduct to the extent that
10 state funding is provided, institutional research concerning
11 student learning and retention as is needed to facilitate their
12 educational missions.

13 (b) The California State University shall offer undergraduate
14 and graduate instruction through the master's degree in the
15 liberal arts and sciences and professional education, including
16 teacher education. Presently established two-year programs in
17 agriculture are authorized, but other two-year programs shall be
18 permitted only when mutually agreed upon by the Trustees of the
19 California State University and the Board of Governors of the
20 California Community Colleges. The doctoral degree may be
21 awarded jointly with the University of California, as provided in
22 subdivision (c) and pursuant to Section 66904. The doctoral
23 degree may also be awarded jointly with one or more
24 independent institutions of higher education, provided that the
25 proposed doctoral program is approved by the California
26 Postsecondary Education Commission. Research, scholarship,
27 and creative activity in support of its undergraduate and graduate
28 instructional mission is authorized in the California State
29 University and shall be supported by the state. The primary
30 mission of the California State University is undergraduate and
31 graduate instruction through the master's degree.

32 (c) The University of California may provide undergraduate
33 and graduate instruction in the liberal arts and sciences and in the
34 professions, including the teaching professions. It shall have
35 exclusive jurisdiction in public higher education over instruction
36 in the profession of law and over graduate instruction in the
37 professions of medicine, dentistry, and veterinary medicine. It
38 has the sole authority in public higher education to award the
39 doctoral degree in all fields of learning, except that it may agree
40 with the California State University to award joint doctoral

1 degrees in selected fields. The University of California shall be
2 the primary state-supported academic agency for research.

3 (d) The independent institutions of higher education shall
4 provide undergraduate and graduate instruction and research in
5 accordance with their respective missions.

6 SEC. 2. Article 1 (commencing with Section 84700) is added
7 to Chapter 5 of Part 50 of the Education Code, to read:

8
9 Article 1. Distribution of Funds to Community College
10 Districts
11

12 84700. It is the intent of the Legislature to replace the
13 program-based distribution of funds to community college
14 districts with a simpler, more equitable method.

15 84701. (a) Effective July 1, 2007, each district of the
16 California Community Colleges shall receive a basic allocation
17 based on the number of colleges and centers operated by that
18 district, followed by an equalization rate for all credit and
19 noncredit FTES.

20 (b) Prior to January 1, 2007, the Department of Finance and the
21 Legislative Analyst's Office, working collaboratively with
22 representatives of the Chancellor's Office of the California
23 Community Colleges, shall jointly recommend the appropriate
24 funding levels for community college full-time equivalent
25 students. These recommendations may include differential
26 funding levels to provide higher funding rates for higher cost
27 courses and programs.

28 84702. It is the intent of the Legislature to implement the
29 funding model developed pursuant to this article commencing
30 with the 2007-08 fiscal year.

31 SEC. 3. Section 84750 of the Education Code is amended to
32 read:

33 84750. The board of governors, in accordance with the
34 statewide requirements contained in subdivisions (a) to (j),
35 inclusive, and in consultation with institutional representatives of
36 the California Community Colleges and statewide faculty and
37 staff organizations, so as to ensure their participation in the
38 development and review of policy proposals, shall develop
39 criteria and standards for the purposes of making the annual
40 budget request for the California Community Colleges to the

1 Governor and the Legislature, and for the purpose of allocating
2 the state general apportionment revenues.

3 In developing the criteria and standards, the board of governors
4 shall utilize and strongly consider the guidelines and work
5 products of the Task Force on Community College Financing as
6 established pursuant to Chapter 1465 of the Statutes of 1986, and
7 shall complete the development of these criteria and standards,
8 accompanied by the necessary procedures, processes, and
9 formulas for utilizing its criteria and standards, by March 1,
10 1990, and shall submit on or before that date a report on these
11 items to the Legislature and the Governor.

12 The board of governors shall develop the criteria and standards
13 within the following statewide minimum requirements:

14 (a) The calculations of each community college district's
15 revenue level for each fiscal year shall be based on the level of
16 general apportionment revenues (state and local) the district
17 received for the prior year plus any amount attributed to a deficit
18 of minimum workload growth, with revenue adjustments being
19 made for increases or decreases in workload, for program
20 improvement as authorized by this section or by any other
21 provision of law, for inflation, and for other purposes authorized
22 by law.

23 (b) (1) For credit instruction, the funding mechanism
24 developed pursuant to this section shall recognize the needs
25 among the major categories of operation of community colleges,
26 with categories established for instruction, instructional services
27 and libraries, student services, maintenance and operations, and
28 institutional support.

29 (2) The board of governors may propose to the Legislature, for
30 enactment by statute, other cost categories when adequate data
31 exist.

32 (3) Funding for noncredit classes shall be determined as
33 follows:

34 (A) The preliminary amount per noncredit full-time equivalent
35 student (FTES) for 1991–92 shall be equal to the comparable
36 amount for 1990–91 with increases corresponding to the
37 cost-of-living adjustment (COLA) specified in subdivision (e)
38 and corresponding to any program improvement provided to the
39 maintenance and operations category for 1991–92.

1 (B) Funds for maintenance and operations shall be included in
2 the funds derived under paragraph (4) of subdivision (c).

3 (C) Funds for institutional support will be derived as part of
4 the computation under paragraph (5) of subdivision (c).

5 (D) From the preliminary amount described in subparagraph
6 (A), a deduction shall be made corresponding to the amounts
7 derived in subparagraphs (B) and (C), and the remainder shall be
8 the funded amount per noncredit FTES for 1991–92.

9 (E) Changes in noncredit FTES shall result in adjustments to
10 revenues as follows:

11 (i) Increases in noncredit FTES shall result in an increase in
12 revenues in the year of the increase and at the average rate per
13 noncredit FTES.

14 (ii) Decreases in noncredit FTES shall result in a revenue
15 reduction in the year following the decrease and at the average
16 rate per noncredit FTES.

17 (iii) Districts shall be entitled to restore any reductions in
18 apportionment revenue due to decrease in noncredit FTES during
19 the three years following the initial year of decrease in noncredit
20 FTES if there is a subsequent increase in FTES.

21 (4) Except as otherwise provided by statute, current
22 categorical programs providing direct services to students,
23 including extended opportunity programs and services, and
24 disabled students programs and services, shall continue to be
25 funded separately through the annual Budget Act, and shall not
26 be assumed under budget formulas of program-based funding.

27 (5) District revenues shall be determined based on systemwide
28 funding standards within the categories, and revenue adjustments
29 shall occur based on distinct measures of workload applicable to
30 each category.

31 (c) Workload measures applicable to each category shall be
32 established with the following measures to be provided:

33 (1) For credit instruction, the workload measure shall be the
34 credit FTES. Changes in credit FTES shall result in adjustments
35 in revenues as follows:

36 (A) Increases in FTES shall result in an increase in revenues in
37 the year of the increase and at the statewide average per FTES.

38 (B) Decreases in FTES shall result in a revenue reduction in
39 the year following the decrease and at the district's average
40 FTES.

(C) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in FTES during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.

(2) For instructional services and libraries, the workload measure shall be the credit FTES. Changes in credit FTES with respect to instructional services and libraries shall result in adjustments to revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the statewide average rate per FTES.

(B) Decreases in FTES shall result in a revenue reduction in the year following the decrease and at the district's average per FTES.

(C) Districts shall be entitled to restore any reductions in apportionment revenue due to decreases in FTES during the three years following the initial year of decreases in FTES if there is a subsequent increase in FTES.

(3) For student services, the workload measure shall be based on the numbers of credit students enrolled (headcount).

Changes in headcount shall result in adjustments to revenues as follows:

(A) Increases in headcount shall result in an increase in revenues in the year of the increase at the statewide average per headcount.

(B) Decreases in headcount shall result in a revenue reduction in the year following the decrease at the district's average per headcount.

(C) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in headcount during the three years following the initial year of decrease in headcount if there is a subsequent increase in headcount.

(4) For maintenance and operations, the workload measure shall be based on the number of square feet of owned or leased facilities. Changes in the number of square feet shall be adjusted as follows:

(A) Increases in the number of square feet shall result in an increase in revenue in the year that the increase occurs and at the average per square foot.

(B) Decreases in the number of square feet shall result in a decrease in revenue beginning July 1 of the first full year in which the square feet are no longer owned or leased and at the average rate per square foot.

(5) For institutional support, a single fixed percentage which shall apply to all districts shall be established based on the pattern from the most recent data. The percentage shall be obtained from statewide data by comparing expenditures for this category with the total revenue for all five categories.

(d) Funding standards, subject to the conditions and criteria of this section, shall be established by the board for the various categories of operation established pursuant to subdivision (b). In consultation as required by subdivision (e) of Section 70901, the board of governors shall annually request program improvement moneys to assist districts in meeting these standards.

(e) To the extent that funding is provided in the annual budget, revenue adjustments shall be made to reflect cost changes, using the same inflation adjustment as required for school districts pursuant to subdivision (b) of Section 42238.1.

(f) An adjustment for economies of scale for districts and colleges shall be provided.

(g) The statewide increase in workload of FTES and headcount shall be, at a minimum, the rate of change of the adult population as determined by the Department of Finance, and may be increased through the budget process to reflect other factors, including statewide priorities, the unemployment rate, and the number of students graduating from California high schools. The allocation of changes on a district-by-district basis shall be determined by the board of governors.

(h) For *the 1991-92 fiscal year 1991-92*, or on the date ~~Section 84750~~ *this section* is implemented by the board of governors in accordance with Section 70 of Chapter 973 of the Statutes of 1988, whichever is later, all districts shall receive at least the amount of revenue to which they would have been entitled pursuant to *former* Article 1 (commencing with Section 84700) ~~of Chapter 5 of Part 50~~. Thereafter, allocations shall be made pursuant to this section, as implemented by the board of governors pursuant to the annual State Budget.

(i) Except as specifically provided by statute, regulations of the board of governors for determining and allocating the state

1 general apportionment to the community colleges may not
2 require district governing boards to expend the allocated
3 revenues in specified categories of operation or according to the
4 workload measures developed by the board of governors.

5 (j) As used in this section:

6 (1) "Criteria" means the definitions of elements of institutional
7 practice or activity to be included in the categories of operation
8 of community college districts.

9 (2) "Program improvement" means an increase in revenue
10 which is allocated to all districts to fund standards adopted
11 pursuant to subdivision (d). Program improvement also means an
12 increase in revenue allocated to low revenue districts to bring
13 them closer to the statewide average.

14 (3) "Standard" means the appropriate level of service in a
15 category of operation of the community college districts.

16 *(k) This section shall become inoperative on July 1, 2007, and,*
17 *as of January 1, 2008, is repealed, unless a later enacted statute,*
18 *that becomes operative on or before January 1, 2008, deletes or*
19 *extends the dates on which it becomes inoperative and is*
20 *repealed.*

21 SEC. 4. Section 84751 of the Education Code is amended to
22 read:

23 84751. In calculating each community college district's
24 revenue level for each fiscal year pursuant to subdivision (a) of
25 Section 84750, the chancellor shall subtract, from the total
26 revenues owed, all of the following:

27 (a) The local property tax revenue specified by law for general
28 operating support, exclusive of bond interest and redemption.

29 (b) Ninety-eight percent of the fee revenues collected pursuant
30 to ~~Sections Section 76300 and 76330.~~

31 (c) Timber yield tax revenues received pursuant to Section
32 38905.1 of the Revenue and Taxation Code.

33 (d) Any amounts received pursuant to Section 33492.15,
34 33607.5, or 33607.7 of the Health and Safety Code, and Section
35 33676 of the Health and Safety Code as amended by Section 2 of
36 Chapter 1368 of the Statutes of 1990, that are considered to be
37 from property tax revenues pursuant to those sections for the
38 purposes of community college revenue levels, except those
39 amounts that are allocated exclusively for educational facilities.

1 (e) Ninety-eight percent of the revenues received through
2 collection of a student fee from a student enrolled in the district
3 who registered or enrolled between July 1, 1995, and the date this
4 act becomes operative.

5 (f) ~~This section shall become operative on January 1,~~
6 ~~1997.~~ *This section shall become inoperative on July 1, 2007, and,*
7 *as of January 1, 2008, is repealed, unless a later enacted statute,*
8 *that becomes operative on or before January 1, 2008, deletes or*
9 *extends the dates on which it becomes inoperative and is*
10 *repealed.*

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